

**Statement of the Honorable E. Anthony Wayne**  
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**Testimony before the House Committee on Financial Services**  
**Subcommittee on Oversight and Investigations**  
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Madame Chair, distinguished Members of the Subcommittee on Oversight and Investigations, I am pleased to be here today with representatives of the Department of Treasury and the Department of Defense to discuss repatriation of Iraqi state assets to the Iraqi people. I appreciate the opportunity to appear before you to outline our efforts to identify, freeze and prepare for return Iraqi state assets so that they may be made available for the benefit of the Iraqi people. Our effort is one that includes participation from appropriate agencies and Departments across the government acting in concert to achieve our objective.

**Iraqi Assets: Part of the Overall Reconstruction Effort**

Making Iraqi state assets and the ill-gotten gains of Saddam Hussein and his regime available for the benefit of the Iraqi people is one part of our overall reconstruction effort. As the new Iraqi leadership moves forward to build a better future for all the citizens of Iraq, there are a number of areas that pose both important challenges and present real opportunities. Iraq's abundant natural resources, particularly its oil wealth, were misused by the previous regime as a political and economic tool of regime power, internationally and within Iraq. President Bush's determination to address the threat posed by Saddam Hussein's defiance of his international obligations has liberated the Iraqi people from a murderous tyrant and created an opportunity for Iraqis to transform their political and economic landscape. Restoring assets to Iraq is an important part of our overall effort.

**UN Sanctions and Iraq's Assets**

With Saddam Hussein's invasion of Kuwait in 1990, the U.S. acted quickly and decisively to deprive the Iraqi regime of the means and materials to continue its regional aggression, further develop its weapons of mass destruction programs, and continue its repression of the Iraqi people.

Consistent with UN Security Council resolution 661, the United States blocked all Iraqi state assets legally within its control. Today, the United States is using those assets, as I will explain shortly, for the benefit of the Iraqi people, as they build a new and better Iraq.

The United States also acted, throughout the years between the two wars with Iraq, to prevent Saddam Hussein's regime from acquiring revenues and goods through the illicit sale of Iraqi oil. To this end, the United States mounted an aggressive, long-term diplomatic campaign to pressure countries to enforce UN sanctions on Iraq, worked with Gulf War Coalition partners to interdict illicit oil shipments and other trade in areas such as the Persian Gulf, and took punitive actions against sanctions busters where such actions were available, such as restricting exports and re-exports of US-origin goods to offending persons or commercial entities and taking steps to deprive those responsible for illicit transfers of the privilege of travel to the United States. These are examples of just some United States actions; others actions can only be discussed in a classified setting.

### **Iraqi Assets are for the Iraqi People**

With the outbreak of hostilities in Iraq on March 20 the President took action to preserve Iraqi state assets for the Iraqi people. In Executive Order 13290, the President determined:

*The United States and Iraq are engaged in armed hostilities, that it is in the interest of the United States to confiscate certain property of the Government of Iraq and its agencies, instrumentalities, or controlled entities, and that all right, title, and interest in any property so confiscated should vest in the Department of the Treasury. I intend that such vested property should be used to assist the Iraqi people and to assist in the reconstruction of Iraq, and determine that such use would be in the interest of and for the benefit of the United States.*

There are two dimensions to our efforts to ensure that Iraqi state assets may be available for the benefit of the Iraqi people. First, the President vested more than \$1.7 billion in Iraqi government assets in the United States. These funds are being made available to assist the Iraqi people and to assist in the reconstruction of Iraq. The Secretary of the Treasury has already designated the Secretary of Defense with the authority to use \$91.648 million of these assets to meet the immediate humanitarian needs of the Iraqi people.

Second, we are working with the more than thirty countries around the world that declared Iraqi state assets to the UN in 1991 to determine the status of assets frozen under their domestic laws in 1990 and 1991 under UN Security Council resolutions. We have also reached out to more than twenty additional countries that also may have information regarding Iraqi state assets. In many countries, as in the U.S., individuals and entities with claims against the Iraqi government have sought to satisfy those claims with frozen Iraqi assets. Since the President signed the March 20 Executive Order vesting Iraqi state assets in the U.S., the State Department, in cooperation with our interagency partners, is confirming the status of assets declared frozen by foreign governments in 1991. We have asked all governments to identify within their own domestic laws the most expedient means make these assets available for the benefit of the Iraqi people.

Many countries have expressed their support for our efforts to make these assets available to the people of Iraq. Countries' legal systems nevertheless differ in the manner and extent to which their respective governments may take action in this regard. Many of our partners in this effort do not have the robust legal tools available to the President under our domestic laws. Some governments are awaiting UN Security Council action to release their assets. Some have indicated that they are awaiting the emergence of a new Iraqi government which can receive any assets currently frozen.

### **Lifting United Nations Sanctions**

On May 9 the United States tabled, along with Spain and the U.K., a draft Security Council resolution that would lift sanctions on Iraq. This resolution reflects the President's call for the United Nations to lift from the

Iraqi people the burden of economic sanctions originally directed against Saddam Hussein's regime in order to compel Iraqi compliance with their disarmament obligations. It will allow Iraq to resume exports, to sell its own oil, provided that the proceeds are deposited in the Iraqi Central Bank, and to use its revenues to purchase needed goods from overseas. Our proposed resolution directs countries to identify all Iraqi state funds, or other economic resources, including financial assets, funds that Saddam Hussein or members of his regime, their families or persons acting on their behalf removed from Iraq, and to repatriate of those funds to an Iraqi Assistance Fund held by the Iraqi Central Bank with an international advisory board which will be used to rebuild Iraq.

The State Department is engaged at all levels in working with our allies and Security Council partners to advance this proposed resolution. Secretary Powell traveled to New York May 7-8 to meet with the UN Secretary General and others on the urgent reasons for this resolution. He has also spoken directly to many of his ministerial colleagues to urge support for the resolution. Secretary Powell is currently in the region, where this issue, as well as advancing the Israeli/Palestinian roadmap, is at the top of his agenda. Deputy Secretary Armitage traveled last week to South Asia to, among other things, build support for our proposal. Assistant Secretary Kim Holmes visited Moscow and Berlin to preview the resolution and to convey personally to our Russian and German colleagues our strong commitment to Iraq's recovery and reconstruction. We will be working intensely with other UNSC members, coalition partners, and allies to achieve agreement to lift Iraqi sanctions soon.

### **Identifying Ill-Gotten Gains of Saddam's Regime**

The Department of State is working closely with the Departments of the Treasury, Justice, Defense, and Homeland Security, as well as law enforcement and intelligence colleagues across the government to identify assets and front companies that may be connected to Saddam Hussein or his fallen regime. The interagency group is coordinating and disseminating information gathered from intelligence leads, investigation and interrogations in Iraq, and the work of teams examining bank records and account information. Our efforts are leading to the identification

of funds that can be made available for the benefit of the Iraqi people.

Our efforts to identify Iraqi state assets and ill-gotten gains of Saddam Hussein's regime are focused in a number of countries. We are actively engaged in discussions with countries in the region such as Jordan, Turkey, Lebanon, Syria, Bahrain and the UAE, as well as elsewhere to pursue this effort. Overall, foreign governments are cooperating in confirming previously frozen Iraqi state assets, and are actively looking for assets that can be traced to Saddam Hussein and his fallen regime. Our effort is being coordinated with senior officials around the world.

Within hours of the President's announcement on March 20 of the vesting of frozen Iraqi state assets in the U.S., our Ambassadors were briefing coalition partners and other countries known to have Iraqi assets on our actions. We also asked these governments, at the highest levels, to cooperate with us in identifying, freezing and preparing to return ill-gotten gains of Saddam Hussein and his regime. My colleagues and I have stressed the need for all countries to search their financial institutions for ill-gotten gains of Saddam Hussein and his regime in meetings with dozens of local Ambassadors and visiting officials from a number of countries.

Among the many countries we are working closely with to trace Iraqi state assets, Switzerland is often in the spotlight. The Swiss government has stepped forward to demonstrate its commitment to make Iraqi assets frozen in Switzerland available for the benefit of the Iraqi people, and to investigate accounts that may be linked to the ill-gotten gains of Saddam's regime. With the onset of hostilities in Iraq, the Swiss Cabinet moved to expand the 1990 ordinance that had blocked Iraqi regime assets in Swiss financial institutions. The Cabinet's action reaffirmed the 1990 freeze and added an additional reporting requirement on institutions to provide the additional account detail necessary to make these assets available for the benefit of the Iraqi people once UN sanctions are lifted. Swiss authorities have met with State and Treasury Department officials both in Washington and Bern to share information on measures they have taken to ensure that assets with suspected links to the Saddam Hussein regime are investigated, and to reiterate their

commitment to act on any information we share with them in this effort.

We are also coordinating closely with the U.K. government in these efforts. The U.K. is taking steps to ensure that Iraqi assets frozen in the U.K. may be made available for the benefit of the Iraqi people. Like many of our other partners the U.K. has also stressed that a new Security Council resolution would be required for it to be able under its domestic law to make these assets available for the Iraqi people. Our efforts at the UN to move forward with the lifting of sanctions will open the path for return of assets.

We are actively pursuing Saddam's underground network which funneled the ill-gotten gains of non-Oil For Food program oil sales and kickbacks into accounts overseas. This effort builds on the substantial strides that have been made in recent years in combating money laundering and build comprehensive anti-terrorist finance regimes in countries without them. The United States is leading the charge to increase regulatory scrutiny of suspicious financial transactions and root out illicit transfers of money. Our sustained effort in this area is paying dividends through greater information sharing, stronger laws and institutional infrastructure worldwide. I can also assure you that the important tools that Congress has provided in this area, most recently with the passage of the USA PATRIOT Act, are important as we work to achieve our goals.

### **Close Coordination of Effort**

The effort to identify, freeze and make these assets available for the benefit of the Iraq people includes actions from a host of agencies and departments, working toward our objective. A senior-level interagency team meets weekly to coordinate the search for assets. We are working closely with those on the ground in Iraq to expand our search using documents obtained during Operation Iraqi Freedom. We are also beginning the process of interrogating those Iraqi officials that are in U.S. custody that have knowledge of the financial affairs of Saddam's regime. As these leads develop we are expanding our net further to capture assets that must be made available for the benefit of the Iraqi people.

This strong interagency teamwork involves the intelligence agencies, with support from other agencies including the State Department, all leading the Administration's efforts to ferret out the system of financial schemes, facilitators and intermediaries that played a role in Saddam's shadowy financial world. It involves the Treasury Department, working with other agencies, leading the process by which we are examining records that can lead us to the final nesting locations for assets hidden away by Saddam and his cronies. The FBI and the Department of Homeland Security, through the Bureau of Immigration and Customs Enforcement, are also playing important roles in this interagency process. The State Department is leading the interagency effort to engage and sustain the bilateral and multilateral relationships, strategies and activities to win international support for and cooperation with our efforts.

### **Use of Assets**

President Bush has made it clear that Iraqi assets under the control of the United States are to be used only for the benefit of the Iraqi people. These assets fall into two categories: \$1.7 billion of Iraqi state assets that were vested by the President on March 20, and assets in Iraq that are under the control of U.S. Armed Forces. The President has authorized Treasury to allocate and disburse the vested assets. As for the assets under the control of the U.S. Armed Forces, the President ordered that Defense, in consultation with Treasury, State and OMB, develop procedures to ensure that the assets in Iraq are used for the benefit of the Iraqi people and are properly accounted for.

We believe that our use of Iraqi assets should be transparent, publicly explainable, accountable, and for the benefit of Iraqis in Iraq. The world will be looking at how we shepherd these funds for the good of the Iraqi people, and whether we set the right priorities to ensure the most direct and immediate benefits flow to the Iraqi people. There are many urgent needs that fill this definition, including to pay the salaries of Iraqis who are helping to rebuild the country, to provide basic human needs for health, sanitation, water and food, to fund infrastructure rehabilitation, to provide assets to support an Iraqi currency and more.

Treasury has allocated some of the vested assets to Defense's Office of Reconstruction and Humanitarian Assistance (ORHA) to meet the most immediate needs on the ground. We are working interagency to identify and coordinate the uses of these assets, with the NSC and the Office of Management and Budget (OMB) playing key roles. Our goal is to meet the priority needs of the Iraqi people in Iraq. The Administration is committed to do this in a fully transparent manner so that it will be clear to the world that all the assets under our control have met the priority needs of the Iraqis in Iraq and that the US has been a good steward of these resources.

### **Beyond Iraq - Corruption and Kleptocrats**

The United States takes very seriously the broader problem of theft and transfer abroad of state assets by corrupt heads of state, high government officials, their family members, cronies and collaborators. Such people, including of course, Saddam Hussein, have victimized their own people and abused the world's financial markets for their own personal gain. They have been able to take advantage of national and jurisdictional boundaries to hide their corruption and shield them from law enforcement. G8 members are participating in negotiations on measures to deny safe haven in our countries to the assets of corrupt public officials, and have been coordinating in the ongoing negotiations for a United Nations Convention Against Corruption, which includes a chapter on asset recovery in corruption cases.

The United States is also moving forward with an aggressive anti-corruption/transparency action plan that we have proposed jointly in the G8 with the U.K. Reducing corruption and enhancing transparency are top priorities because they are central to advancing our national security interests and supporting stable democracies. The U.S. has long been a leader in the campaign to stop corruption by promoting transparency and strengthening judicial systems and rule of law. The United States was the first country to outlaw foreign bribery in 1977 with enactment of the Foreign Corrupt Practices Act. Our goal is to improve country public financial management and governance systems, drawing upon international best practices and the help of the international financial institutions' experience in this field.



## **Conclusion**

As I have outlined, the Department of State is an active participant in the U.S. effort to marshal Iraqi state assets and trace the ill-gotten gains of Saddam Hussein and his cronies. U.S. Ambassadors and our Embassy teams overseas are pressing foreign governments to move swiftly to preserve and make available these assets for the benefit of the Iraqi people. We are also deeply engaged at the UN and around the world to build support for the President's call to lift the burden of sanctions from Iraq, and to open the door for countries around the world to make these assets available to meet the humanitarian and reconstruction needs of the people. I look forward to continuing to work with the members of the committee in this effort.